

Highlights of the FY2022 Draft Budget

Overview of the FY2022 Budget Framework

Expenditure

(Unit : billion yen)

	FY2021 budget (initial)	FY2022 budget	Amount of change
General Expenditure	66,902.3	67,374.6	+472.3
Social Security Expenditure	35,834.3	36,273.5	+439.3
Non-Social Security Expenditure	26,068.1	26,101.1	+33.0
Contingency Fund for the COVID-19	5,000.0	5,000.0	—
Local Allocation Tax Grants, etc.	15,948.9	15,882.5	−66.4
National Debt Service	23,758.5	24,339.3	+580.8
Total	106,609.7	107,596.4	+986.7

Revenue

(Unit : billion yen)

	FY2021 budget (initial)	FY2022 budget	Amount of change
Tax Revenue	57,448.0	65,235.0	+7,787.0
Other Revenue	5,564.7	5,435.4	−129.3
Government Bond Issuance	43,597.0	36,926.0	−6,671.0
Construction Bonds	6,341.0	6,251.0	−90.0
Special Deficit-financing Bonds	37,256.0	30,675.0	−6,581.0
Total	106,609.7	107,596.4	+986.7

(Note 1) The FY2021 budget is reclassified for a comparison with the FY2022 budget.

(Note 2) Figures may not add up to the totals due to rounding.

(Note 3) “Tax Revenue” includes stamp revenue.

(Note 4) Bond Dependency Ratio for FY2022 Budget is 34.3%.

Highlights of the FY 2022 Budget

Together with the supplementary budget for FY2021, the budget will take;

- all possible measures to contain the spread of the infection
- measures for realizing a "New Form of Capitalism" through a virtuous cycle of growth and distribution.

Containment measures for COVID-19

- In the supplementary budget for FY2021, measures are taken to secure the medical care delivery system, improve the vaccination system, and secure therapeutic drugs, etc. In order to prepare for unexpected changes in the situation such as the spread of infection by mutant strains, 5 trillion yen for contingency fund for the COVID-19 will be set aside in the FY2022 budget.

Realizing a "New Form of Capitalism" through a virtuous cycle of growth and distribution

Growth strategies

- From the perspective of creating a "Science and Technology Nation," a record amount of funding (1,378.8 billion yen) for the promotion of science and technology will be secured to promote R&D in digital, green, quantum, AI, space, advanced semiconductors, etc., and to enhance support for doctoral students.
- In order to realize the "Vision for a Digital Garden City Nation," the Digital Agency will promote lump-sum budgeting for information system (472 billion yen). Supporting the creative implementation of digital technology by local governments through grants (166 billion yen (including the supplementary budget for FY2021)). Deploying digital transformation facilitators nationwide.
- With regard to "economic security", the government will promote R&D on quantum cryptography and strengthen the management system for key technologies, etc.

Distribution strategies

- Raising the income of those working at facilities providing medical nursing for the COVID-19, long-term care, child care, and early childhood education by 3% through medical fees and other measures.
- Promoting investment in human resources for a policy package worth 400 billion yen over three years, including human resource development to support growth fields such as digital, stepping up of non-regular workers, and support for smooth labor mobility. (The Labor Insurance Special Account 101.9 billion yen)
- In order to achieve "zero bullying of subcontractors," etc., the number of supervisors will be doubled (Increase from 120 to 248), and the supervision system will be strengthened by hearing from small and medium-sized subcontractors nationwide.

Wise spending

- The government continues to implement the expenditure reforms set forth in the "Basic Policy on Economic and Fiscal Management and Reform 2021". The quality of the budget was also improved through correcting the harmful effects resulting from deciding public finances on a single fiscal year basis, etc.
 - Social security expenditure +About 440 billion yen (Increase due to aging of population (Excluding the amount of the pension slide))
 - Non-social security expenditure +33 billion yen (Continue efforts of expenditure reforms thus far)
- Reduce the amount of new government bond issuance (FY2021 (Initial) : 43.6 trillion yen ⇒ FY2022 : 36.9 trillion yen)

Characteristics of Each Expenditure (1)

【Social Security】

- Steadily implementing the system reforms decided so far (Revision of copayment rates for medical care for elderly aged 75 and over • Expansion of Employees Insurance coverage, etc.), while continuing to promote measures for the COVID-19. The policy to reduce the real growth of social security-related expenses within the increase due to the aging of the population has been achieved. (+About ¥440bn (Excluding the amount of the pension slide)).
- In the revision of medical fees, insurance burden on the public will be curbed through vigorous revisions such as improving the working conditions of nurses, achieving insurance coverage for infertility treatment, and introducing refillable prescription to reduce the burden of hospital visits. In addition, improving the working conditions of long-term care, welfare for people with disabilities, and child care will be promoted.
* Medical fees : 0.43% Drug price : -1.35% Material price : -0.02%
- With regard to the national treasury impositions to employment insurance, while maintaining the current share of contribution for benefits of unemployment, the share of contribution will be raised in accordance with the employment situation and the financial status of employment insurance, and the scheme provides for voluntary transfers from the general account. In addition, the share of contribution for the support system for job seekers will be raised from the perspective of strengthening the safety net function for those who are not insured (5%→27.5%)

【Science and Education】

- From the perspective of becoming a “science and technology nation,” the government secured the highest ever amount of funds (¥1,378.8bn) for the promotion of science and technology. Promote R&D in digital, green, quantum, AI, space, and advanced semiconductors. Enhancing support for doctoral students to improve their treatment.
- Promoting the introduction of a “subject-based teacher system” for science, math, and other subjects in the upper grades of elementary school, and create an environment in which teachers can focus on teaching by utilizing outside personnel (¥17.4bn).

【Digital and Regional Revitalization (Vision for a Digital Garden City Nation)】

- The Digital Agency will strengthen its function as a commander for the formation of a digital society by allocating a lump-sum budget for information systems (¥472bn).
- Promoting local revitalization promotion subsidies of 100 billion yen to focus on digital and together with the supplementary budgeted subsidies for the promotion of the Vision for Digital Garden City Nation, etc., supporting the implementation of digital technology and the solving of local issues based on the creativity of local governments.
- Developing digital infrastructure in local areas, such as optical fiber and 5G base stations. Under the concept of "people-friendly digitalization, that leaves no one behind," digital transformation facilitators will be deployed to hold seminars for the elderly etc. on how to use smartphones and online public services.

【Economic Security】

- From the perspective of economic security, R&D on quantum cryptographic communications, management systems for key technologies, and cyber security protection will be strengthened, and promote the establishment of a think tank function for safety and security.
- The supplementary budget for FY2021 also includes measures to secure domestic production bases for advanced semiconductors and a program to foster key technologies for economic security.

Characteristics of Each Expenditure (2)

【Public Works】

- Securing public work projects stably (¥6.575tn). In this context, focusing on disaster prevention and mitigation and national land resilience will be promoted, including measures to prevent aging by using drone inspections, and to control floods and earthquakes by strengthening soft measures such as land use regulations and evacuation plans.
- In order to correct the harmful effects resulting from deciding public finances on a single year basis, about 2.1 trillion yen will be newly set as an action for bearing deficit in the treasury to equalize the construction period and facilitate the systematic construction of infrastructure over multiple years.

【Agriculture, Forestry and Fisheries】

- In order to achieve the target of 5 trillion yen in exports of agricultural, forestry and fishery products and foodstuffs, support for the organization of export promotion organizations by product category, fostering of export production areas and businesses, and compliance with overseas food regulations will be comprehensively promoted, focusing on priority commodities. Promoting production of rice to meet the demand for 2022, including shifting crops to highly profitable crops such as export rice and vegetables.

【Energy and Environment】

- In order to achieve the 2050 carbon neutrality target and other plans, introduce renewable energies such as solar power, offshore wind power, and geothermal power, and clean energy vehicles, and accelerate R&D for the practical use and diffusion of hydrogen, ammonia, etc. (about ¥100bn). Establishing a grant to provide continuous and comprehensive support for local governments that are making efforts to decarbonize (¥20bn).

【Diplomacy and National Defense】

- Strengthening diplomatic and consular implementation systems and external communications to promote strategic diplomacy. ODA will focus on cooperation to contribute to the international containment of the COVID-19 and development and humanitarian assistance needs, including climate change countermeasures. Contributing to a one-year-advance capital increase of IDA (International Development Association) to support the response to the COVID-19, including vaccination and medical delivery systems for low-income countries.
- With regard to defense, a total of 5.4 trillion yen is secured for the first time in view of the increasingly tense international situation. Together with the supplementary budget for FY2021, strengthening capabilities in new areas such as missile defense, defense of islands in the southwest region, and space, cyber, and electromagnetic waves will be promoted.

【Reconstruction】

- Providing a meticulous support to meet the needs of the affected areas in accordance with the stage of reconstruction. Promoting initiatives for full-scale reconstruction and revitalization, such as promoting the return and migration of affected areas and removing harmful rumors, through support for victims such as mental health care and the development of interim storage facilities in nuclear-affected areas. In order to achieve "creative reconstruction," promoting initiatives such as the development of international education and research centers.

【Local Government Finance】

- The amount of local allocation tax grants for local governments is 18.1 trillion yen (+0.6 trillion yen). Due to the recovery of tax revenue in both the national and local governments, the issuance of extraordinary financial countermeasures bonds is largely reduced (-¥3.7tn), and the total amount of general revenue is secured appropriately.

The FY2022 Budget: Major Expenditure Items

(unit: billion yen)

	FY2021 Budget (initial)	FY2022 Budget	Amount of change	Ratio of change	Note
General Expenditure	66,902.3	67,374.6	+472.3	+0.7%	
Social Security	35,834.3	36,273.5	+439.3	+1.2%	
Education and Science	5,392.5	5,390.1	−2.4	−0.0%	Decrease in the national treasury contribution for compulsory education due to reflection of the recommendation of the National Personnel Authority: −¥23.9bn, etc.
of which Science	1,363.8	1,378.8	+15.0	+1.1%	
Former Military Personnel Pensions	145.0	122.1	−22.8	−15.7%	
National Defense	5,314.5	5,368.7	+54.2	+1.0%	Expenses on medium-term defense capability: +1.1% (including miscellaneous expenses)
Public works	6,054.9	6,057.5	+2.6	+0.0%	
Economic Assistance	510.8	510.5	−0.3	−0.1%	Decrease due to expiration of payment for contributions promised internationally: −¥0.6bn, etc.
cf) Official Development Assistance	559.9	561.2	+1.2	+0.2%	
Measures for SMEs	172.6	171.3	−1.3	−0.8%	Decrease in the credit guarantee related budget based on lending trends: −¥2.1bn , etc.
Energy	889.1	875.6	−13.5	−1.5%	Decrease in transfer to Energy Measures Special Account based on the progress of projects of the investees due to the impact of infection: −¥12.5bn , etc.
Food Supply	1,272.3	1,270.1	−2.1	−0.2%	Decrease in the national treasury ‘s contribution due to the revision of premium rates for agricultural mutual aid: −¥1.3bn ,etc.
Miscellaneous	5,816.4	5,835.0	+18.6	+0.3%	
Contingency reserve	500.0	500.0	−	−	
Contingency Funds for the COVID-19	5,000.0	5,000.0	−	−	
Local Allocation Tax Grants, etc.	15,948.9	15,882.5	−66.4	−0.4%	Securing the same level of total general funds as the previous fiscal year.
National Debt Service	23,758.5	24,339.3	+580.8	+2.4%	Increase in redemption of the National Debt.
Total	106,609.7	107,596.4	+986.7	+0.9%	

(Note1) FY2021 budget is reclassified for a comparison with the FY2022 budget. The figures in the “FY2021 Budget (Initial)” of “cf) ODA” exclude the effect of ¥8bn in expenses that will not be covered by ODA from FY2022.

(Note2) Figures may not add up to the total due to rounding.

(Note3) General Expenditure is defined as General Account Total Expenditure minus National Debt Service and Local Allocation Tax Grants, etc.

The FY2022 Revision of medical fees and drug price, etc.

Medical Fees

+ 0.43% (Central government expenditure: +29.2bn※)
※FY2022 budget amount, same as below

- ① **Improvement of working conditions for nurses** (Using the increase in consumption tax revenue) **+0.20%**
Achieving 3% salary increase for nurses at medical institutions that respond to the COVID-19 medical treatment, etc. (Until September, 1% increase will be subsidized.)
- ② **Introduce refill prescriptions** **-0.10%**
Establishing an effective measure that differs from split dispensing, that will reduce the burden on patients by allowing them to use their prescriptions repeatedly within a certain period without going to a medical institutions.
- ③ **Insurance Coverage for Fertility Treatment** (Using the increase in consumption tax revenue) **+0.20%**
Ensuring the safety and security of infertility treatment for those who want to have children through the evaluation of appropriate medical care by insurance coverage.
- ④ **Expiration of additional measures to prevent infection in children (medical treatment)** **-0.10%**
The dental and dispensing portions continue to be allocated to infection prevention and other measures.
- ⑤ **Other main revisions rate** **+0.23%**

Revision rate for each department	Medical	+ 0.26%
	Dental	+ 0.29%
	Dispensing	+ 0.08%

Drug Price, etc.

- ① **Drug price** **- 1.35%**
(Central government expenditure: -155.3bn)
※ Of which, Insurance coverage for infertility treatment (using the increase in consumption tax revenue)
+ 0.09% (Central government expenditure: +¥4.5bn)
- ② **Material Price** **- 0.02%**
(Central government expenditure: -1.7bn)

Institutional Reform Items

(Establishing an efficient medical care delivery system, etc.)

In order to deal with the issues revealed in the spread of the COVID-19, the following reforms will be steadily promoted in terms of the efficient provision of high-quality medical care in relation to medical fees, etc. (Ministerial agreement).

- ① Appropriate evaluation of inpatient care, including basic inpatient rates for 7:1 nursing care
- ② Promoting further comprehensive payment such as reviewing the calculation method of the DPC system that contributes to standardization including hospital stay
- ③ Improve the effectiveness of the additional payment related to the reform of working styles of doctors.
- ④ Appropriate review of measures related to the function of primary care doctors in line with actual conditions to ensure functional differentiation of outpatient services.
- ⑤ Review of dispensing system premiums for generic drugs based on cost-effectiveness.
- ⑥ Appropriate evaluation of pharmacies with multiple stores.
- ⑦ Appropriate prescriptions for poultice to ensure appropriate drug benefit.

◆ Changes in past revision rates

	2014	2016	2018	2020	2022
Revision rate of Medical Fees	+0.1%	+0.49%	+0.55%	+0.55%	+0.43%
Revision rate of Drug Price, etc.	-1.36%	-1.33%[-1.82%]	-1.45%[-1.74%]	-1.00%[-1.01%]	-1.46%[-1.37%]

*Excludes revisions associated with the consumption tax hike. Excludes drug price revisions for FY2019 and FY2021.

(Note) The figures in [] for FY2016, FY2018, FY2020, and FY2022 include the impact of newly implemented system reforms such as market expansion recalculation (e.g., insurance coverage for infertility treatment in FY2022).

"Improvement of the Quality" of the Budget

Correcting the harmful effects resulting from deciding public finances on a single fiscal year basis

- With regard to public works, about 2.1 trillion yen will be newly set as an action for bearing deficit in the treasury to equalize the construction period and facilitate the systematic construction of infrastructure over multiple years.
With regard to the infrastructure development project to promote the development of data centers in local areas, the necessary scale of the project will be secured in advance by utilizing the action for bearing deficit in the treasury in order to stably implement the project over multiple fiscal years. (Total 45.5 billion yen for four years from FY2022 to FY2025)
- With regard to the fields of science and technology and economic security, support will be provided over multiple fiscal years, including the use of funds, while taking into account the type of project. (Establishment of a new fund for fostering key technologies for economic security (about 250 billion yen), establishment of a new fund for the development of production infrastructure for advanced semiconductors (about 620 billion yen), and use of a fund for strengthening vaccine development and production (about 740 billion yen) * FY2021 supplementary budget)

Improving efficiency by promoting digitalization

- The LAN and network environment of each ministry and agency will be sequentially switched to a new inter-ministerial network (GSS: Government Solution Service) to realize a high-speed, large-capacity, and low-cost network environment.
- Consolidate the database locations for registration information from the current four to one. Improve efficiency of equipment rental and maintenance costs, operation support costs, and application maintenance costs. (Reduction of 2.4 billion yen over five years from FY2025)

Introduction of incentive mechanisms based on policy objectives

- Deregulating the requirements of relocation support for housing, etc., when disaster prevention projects are carried out at a lower cost than the original restoration of damaged infrastructure, based on a reconstruction and urban planning plan that assumes relocation from the affected area. Supporting rapid and flexible reconstruction by local governments while reducing the fiscal cost.
- With regard to the operating subsidies for the four culture-related independent administrative agencies*, a competitive fund frame (about 300 million yen in total, about 1% of the total subsidies) will be established, and the subsidies will be redistributed in accordance with the rate of increase in self-income (Actual amount), thereby promoting the securing of various sources of income such as private funds.

* National Museum of Nature and Science, National Museum of Art, National Institutes for Cultural Heritage, Japan Arts Council

Efficiency and rationalization of defense force development

- Achieved efficiency and rationalization effects of -439 billion yen by suspending operations of equipment of decreasing importance and optimizing procurement through the use of long-term contracts and close examination of costs, etc. across the entire range of defense equipment.

(Reference)

The FY2022 Budget Framework

【Expenditure and Revenue】

(Unit: billion yen)

	FY2021 budget (initial)	FY2022 budget	FY2021 → FY2022	Notes
(Expenditure)				
General Expenditure	66,902.3	67,374.6	472.3	
Social Security Expenditure	35,834.3	36,273.5	439.3	
Non-Social Security Expenditure	26,068.1	26,101.1	33.0	
Contingency Fund for the COVID-19	5,000.0	5,000.0	–	
Local Allocation Tax Grants, etc.	15,948.9	15,882.5	–66.4	
National Debt Services	23,758.5	24,339.3	580.8	
o/w Redemption of the National Debt (Excluding Subsidy Bonds)	14,731.7	15,632.5	900.8	
o/w Interest Payments	8,503.6	8,247.2	–256.3	
Total	106,609.7	107,596.4	986.7	
(Revenue)				– Bond Dependency Ratio: 34.3%
Tax Revenue	57,448.0	65,235.0	7,787.0	– Construction Bond Issuance FY2021: 6,341 bn yen → FY2022: 6,251 bn yen
Other Revenue	5,564.7	5,435.4	–129.3	
Government Bond Issuance (Difference between Expenditure and Tax Revenue, etc.)	43,597.0	36,926.0	–6,671.0	– Special Deficit-Financing Bond Issuance FY2021: 37,256.0 bn yen → FY2022: 30,675.0 bn yen
Amount Equivalent to Redemption of the National Debt (Excluding Subsidy Bonds)	14,731.7	15,632.5	900.8	– Fiscal Balance Deficit (total amount equivalent to interest payments and deficit from policy expenditure) is 21.3 trillion yen.
Amount Equivalent to Interest Payments	8,503.6	8,247.2	–256.3	
Amount Equivalent to Deficit from Policy Expenditure (Primary Deficit)	20,361.7	13,046.2	–7,315.5	
Total	106,609.7	107,596.4	986.7	

(Note 1) The FY2021 budget is reclassified for a comparison with the FY2022 budget.

(Note 2) Figures may not add up to the totals due to rounding.

(Note 3) “Tax Revenue” includes stamp revenue.

(Note 4) The classification of “Government Bond Issuance” is made from the perspective of the primary balance and fiscal balance, and the term “Amount Equivalent to” is used because the revenue of government bond issuance will not be immediately appropriated to the redemption of the national debt and interest payments.

【Government Bond Outstanding, etc.】

(Unit: trillion yen)

	Estimate at the end of FY2021 (FY2021 initial budget)	Estimate at the end of FY2022 (FY2022 budget)	FY2021 → FY2022	Notes
Government Bond Outstandings	990.3	1,026.5	36.2	– Fiscal Balance Deficit about 21.3tn yen
Nominal GDP	559.5	564.6	5.1	Additional Debt in the FY2021 Supplementary Budget about 22.1tn yen
Government Bond Outstanding / GDP ratio	177.0%	181.8%	4.8%	Redemption through transfer of surplus in the FY2021 supplementary budget about –2.3tn yen
(Reference) Planned Government Bond Issuance	191.0	190.0	–1.0	<u>Reflection of actual issuance results, etc.</u> about <u>–4.9tn yen</u>
o/w Amount in General Account	43.6	36.9	–6.7	Total about 36.2tn yen
o/w Amount in Special Account for the Government Debt Consolidation Fund	147.2	152.9	5.7	

(Note) Nominal GDP is the annual figure based on the government’s economic forecast for the relevant fiscal year.

< Economic Indicators >

	FY2013 (Actual)	FY2014 (Actual)	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	FY2018 (Actual)	FY2019 (Actual)	FY2020 (Actual)	FY2021 (Estimated)	FY2022 (Projected)
Nominal GDP growth	2. 7%	2. 1%	3. 3%	0. 8%	2. 0%	0. 1%	0. 2%	−3. 9%	1. 7%	3. 6%
Nominal GDP (tn yen)	512. 7	523. 4	540. 7	544. 8	555. 7	556. 3	557. 3	535. 5	544. 9	564. 6
Real GDP growth	2. 7%	−0. 4%	1. 7%	0. 8%	1. 8%	0. 2%	−0. 7%	−4. 5%	2. 6%	3. 2%
Consumer Price Index	0. 9%	2. 9%	0. 2%	−0. 1%	0. 7%	0. 7%	0. 5%	−0. 2%	−0. 1%	0. 9%
Unemployment rate	3. 9%	3. 5%	3. 3%	3. 0%	2. 7%	2. 4%	2. 3%	2. 9%	2. 8%	2. 4%

(Note1) Figures are shown on a 2008 SNA basis.

(Note2) FY2021 and FY2022: based on “FY2022 Economic Outlook and Basic Stance for Economic and Fiscal Management” (Approved by the Cabinet on December 23, 2021).

< Fiscal Indicators: Central Government's General Account >

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (Draft)
General expenditure	54. 0	56. 5	57. 4	57. 8	58. 4	58. 9	62. 0	63. 5	66. 9	67. 4
Tax revenue (Note3)	43. 1	50. 0 (4. 5)	54. 5 (6. 2)	57. 6 (6. 3)	57. 7 (6. 3)	59. 1 (6. 4)	62. 5 (7. 9)	63. 5 (10. 2)	57. 4 (9. 5)	65. 2 (10. 0)
Government bond issuance	42. 9	41. 3	36. 9	34. 4	34. 4	33. 7	32. 7	32. 6	43. 6	36. 9
Primary balance	23. 6	18. 3	13. 7	11. 1	11. 2	10. 7	9. 5	9. 6	20. 4	13. 0
Bond dependency ratio	46. 3%	43. 0%	38. 3%	35. 6%	35. 3%	34. 5%	32. 2%	31. 7%	40. 9%	34. 3%

(Note1) Figures are based on the initial budgets. Bond dependency ratio is calculated by dividing government bond issuance by the total amount of general account expenditure.

(Note2) General expenditure is the total amount of general account expenditures, excluding government bond expenditures and local allocation tax grants, etc.

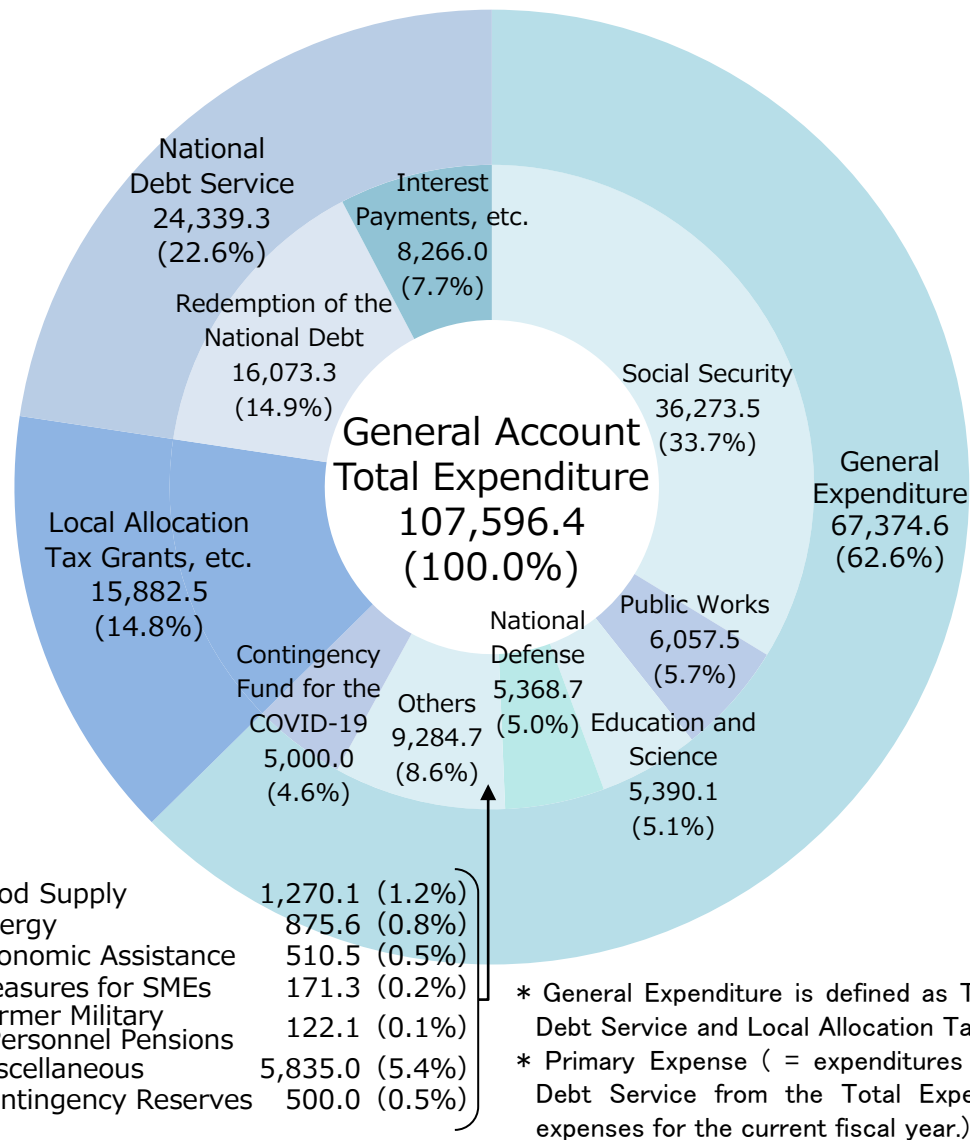
(Note3) Figures in parentheses represent the increased revenue associated with consumption tax rate hike (FY2014–FY2018: Increase by raising from 5% to 8%, FY2019 and FY2020: Increase by raising from 5% to 10%).

(Note4) Figures in FY2019 and 2020 include the figures of temporary and special measures.

(Note5) Figures are retroactively revised based on the concept of the primary balance in the FY2021 budget.

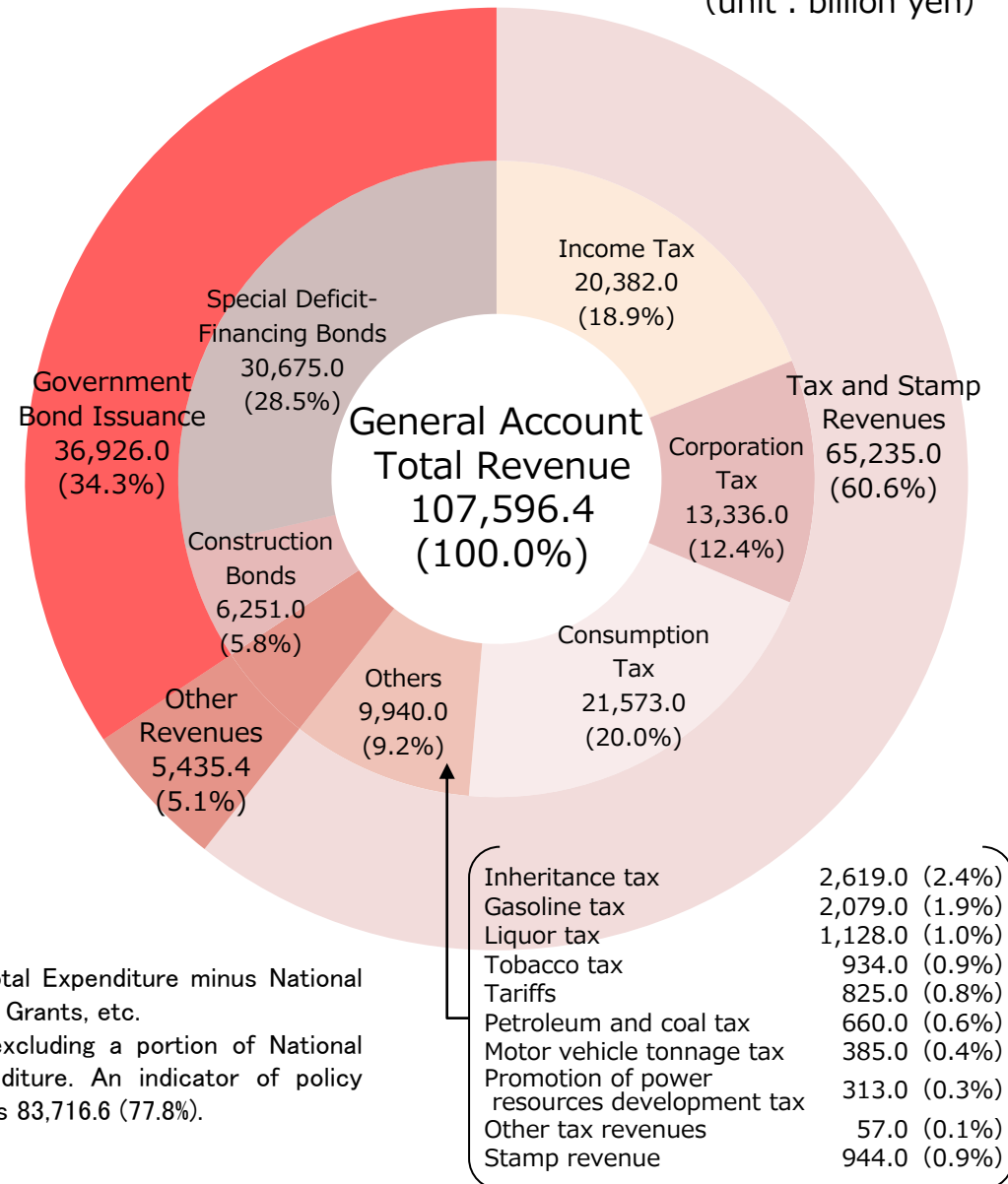
The FY2022 Budget: Expenditure and Revenue

General Account Expenditure



General Account Revenue

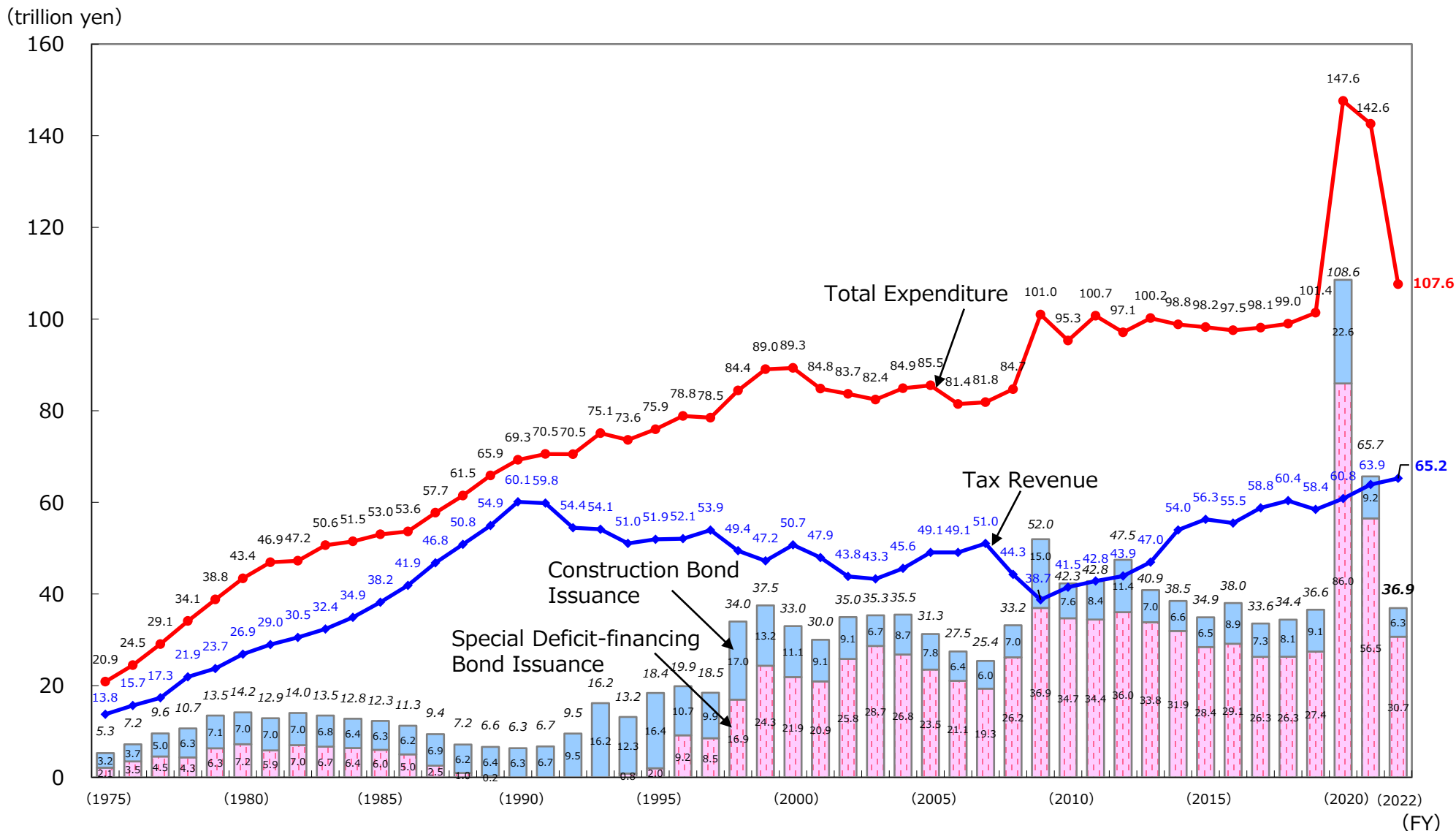
(unit : billion yen)



(Note 1) Figures may not add up to the total due to rounding.

(Note 2) Social security related expenditures account for 53.8% of the general expenditure.

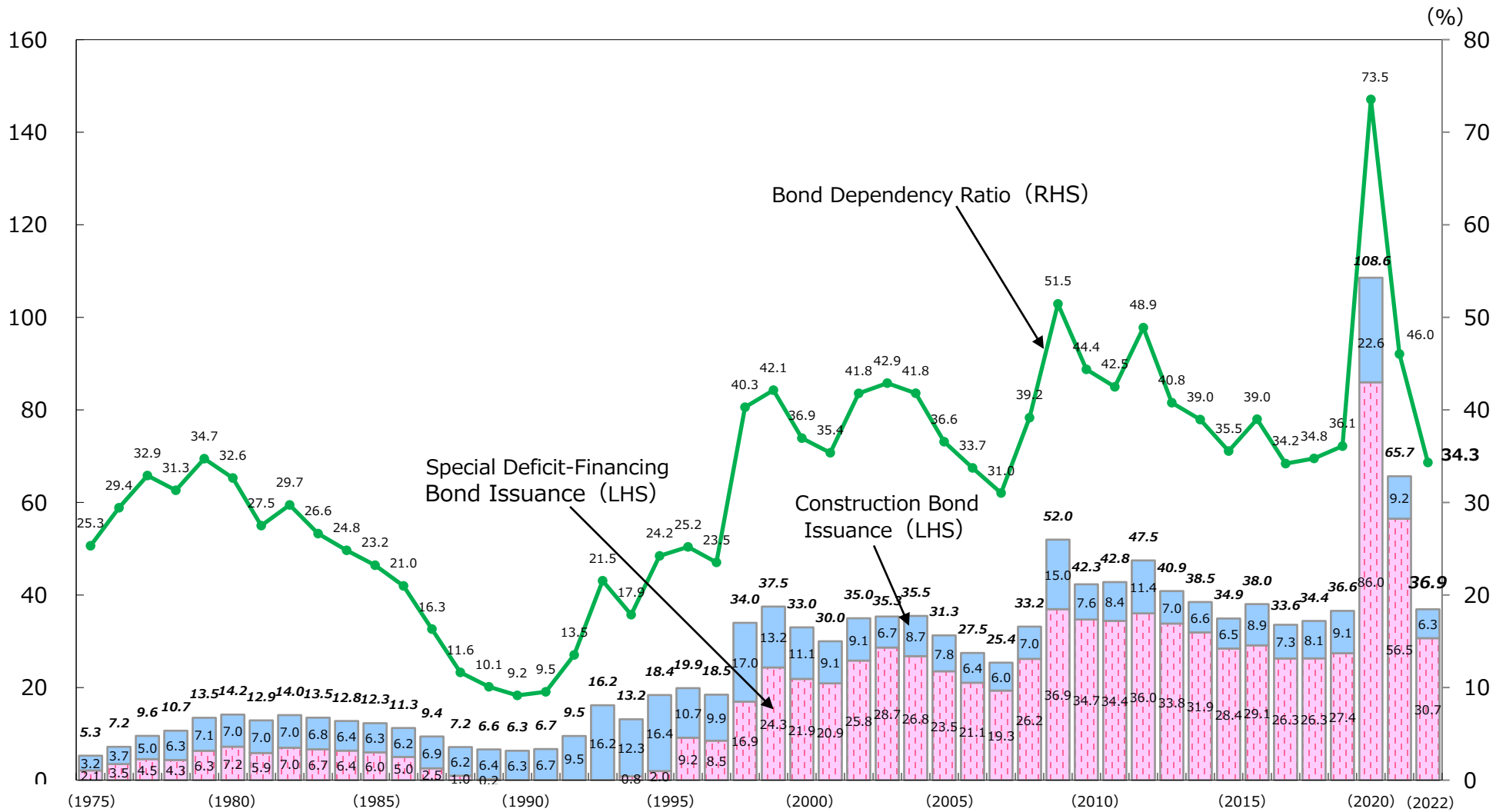
Trends in general account tax revenues, expenditures, and bond issuance



(Note1) FY1975 - FY2020 : Settled figures; FY2021 : Based on the supplementary budget; FY2022: Based on the draft budget

(Note2) Following bonds are excluded: Ad-hoc special deficit-financing bonds issued in FY1990 as a source of funds to support peace and reconstruction activities in the Persian Gulf Region; Tax reduction-related special deficit-financing bonds issued in FY1994-96 to make up for a decline in tax revenue due to a series of income tax cuts preceding consumption tax rate hike from 3% to 5%; Reconstruction bonds issued in FY2011 as a source of funds to implement measures for the reconstruction from the Great East Japan Earthquake, and; Pension-related special deficit-financing bonds issued in FY2012 and FY2013 as a source of funds to achieve the targeted national contribution to one-half of basic pension.

Bond issuance and bond dependency ratio

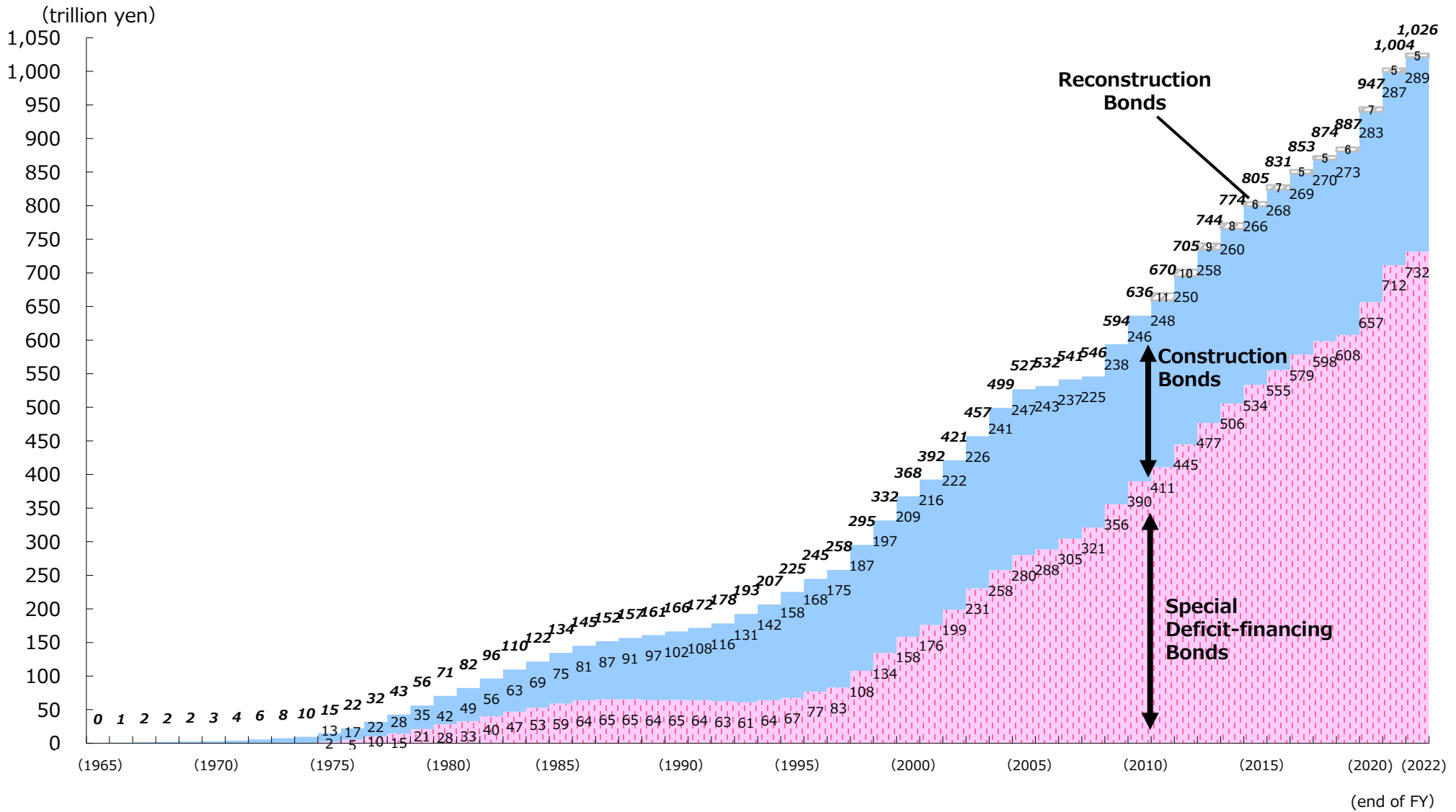


(Note1) FY1975 - FY2020 : Settled figures; FY2021 : Based on the supplementary budget; FY2022: Based on the draft budget

(Note2) Following bonds are excluded: Ad-hoc special deficit-financing bonds issued in FY1990 as a source of funds to support peace and reconstruction activities in the Persian Gulf Region; Tax reduction-related special deficit-financing bonds issued in FY1994-96 to make up for a decline in tax revenue due to a series of income tax cuts preceding consumption tax rate hike from 3% to 5%; Reconstruction bonds issued in FY2011 as a source of funds to implement measures for the reconstruction from the Great East Japan Earthquake, and; Pension-related special deficit-financing bonds issued in FY2012 and FY2013 as a source of funds to achieve the targeted national contribution to one-half of basic pension.

(Note3) Bond dependency ratio is calculated as the ratio of bond issuance to general account expenditures.

Accumulated government bond outstanding



(Note1) FY1975 - FY2020: Settled figures; FY2021: Based on the draft third supplementary budget, FY2022: Based on the draft budget

(Note2) Government bond outstanding includes construction bonds, special deficit-financing bonds and reconstruction bonds. Special deficit-financing bond outstanding includes refunding bonds for long-term debts transferred from JNR Settlement Corporation and the National Forest Service, etc., ad-hoc special deficit-financing bonds, tax reduction-related special deficit-financing bonds and pension-related special deficit-financing bonds.

(Note3) The estimated amount at the end of FY2022, excluding the issuance limit of advance refunding bonds for refinancing in the following fiscal year, is approximately 1,006 trillion yen.

Long-term debt outstanding of central and local governments

(unit : trillion yen)

	FY1998 <actual>	FY2003 <actual>	FY2008 <actual>	FY2013 <actual>	FY2014 <actual>	FY2015 <actual>	FY2016 <actual>	FY2017 <actual>	FY2018 <actual>	FY2019 <actual>	FY2020 <actual>	FY2021 <estimated>	FY2022 <draft budget>
Central Government	390 (387)	493 (484)	573 (568)	770 (747)	800 (772)	834 (792)	859 (815)	881 (832)	901 (850)	914 (870)	973 (964)	1,030 (1,010)	1,055 (1,035)
General Bond	295 (293)	457 (448)	546 (541)	744 (721)	774 (746)	805 (764)	831 (786)	853 (805)	874 (823)	887 (843)	947 (937)	1,004 (984)	1,026 (1,006)
% of GDP	55% (55%)	87% (85%)	106% (105%)	145% (141%)	148% (142%)	149% (141%)	152% (144%)	154% (145%)	157% (148%)	159% (151%)	177% (175%)	184% (181%)	182% (178%)
Local Government	163	198	197	201	201	199	197	196	194	192	192	192	188
% of GDP	30%	38%	38%	39%	38%	37%	36%	35%	35%	34%	36%	35%	33%
Total	553 (550)	692 (683)	770 (765)	972 (949)	1,001 (972)	1,033 (991)	1,056 (1,012)	1,077 (1,028)	1,095 (1,044)	1,106 (1,062)	1,165 (1,156)	1,222 (1,202)	1,243 (1,223)
% of GDP	103% (103%)	131% (130%)	149% (148%)	190% (185%)	191% (186%)	191% (183%)	194% (186%)	194% (185%)	197% (188%)	198% (191%)	218% (216%)	224% (221%)	220% (217%)

(Note1) GDP for FY1998 - FY2020: Actual figures, FY2021 and FY2022: Based on "FY2022 Economic Outlook and Basic Stance for Economic and Fiscal Management" (Approved by the Cabinet on December 23, 2021).

(Note2) Central government debt for FY1998 - FY2020: Actual figures, FY2021: Based on the supplementary budget, FY2022: Based on the draft budget.

Local government debt for FY1998 - FY2020: Actual figures, FY2021 and FY2022: Based on local government debt plan, etc.

(Note3) Government bond outstanding includes reconstruction bonds as a source of funds to implement the measures for the reconstruction from the Great East Japan Earthquake and pension-related special deficit-financing bonds as a source of funds to achieve the targeted national contribution to one-half basic pension.

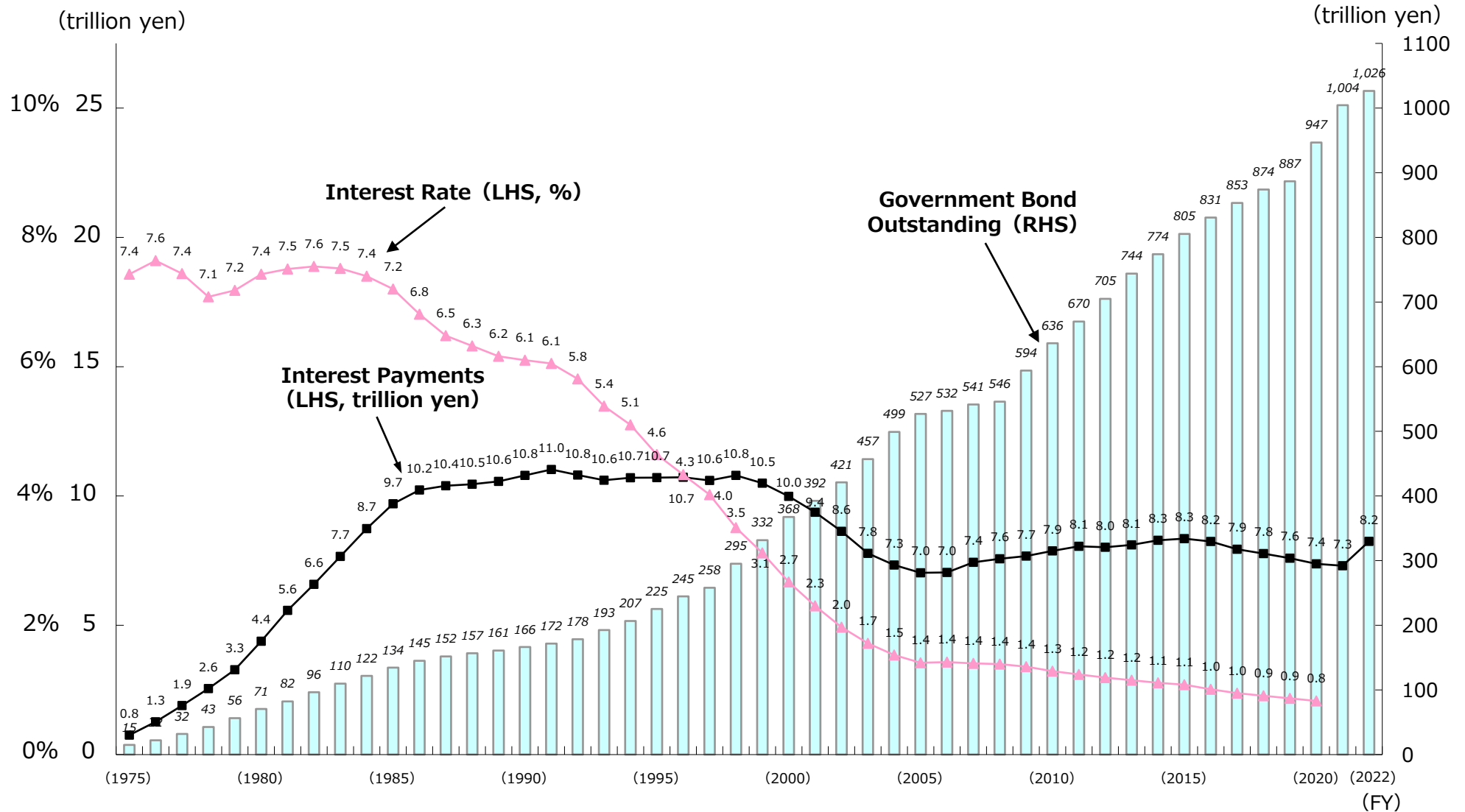
(Note4) FY1998 - FY2020: Figures in parentheses do not include the issuance amount of advance refunding bonds for refinancing in the following fiscal year.

FY2021 - FY2022: Figures in parentheses do not include the issuance limit of advance refunding bonds for refinancing in the following fiscal year.

(Note5) The borrowings in the special account for local allocation and local transfer tax are divided into each figure of the central government and local governments in accordance with their shares of redemption. The amount of the borrowing outstanding incurred by the central government was transferred to the general account at the beginning of FY2007, so that the borrowing outstanding in the special account since the end of FY2007 is equal to the debt of the local governments (approx. 30 trillion yen in FY2022).

(Note6) Government bond outstanding in the special account for fiscal investment and loan program in FY2022 is approximately 113 trillion yen.

Trends in interest payments and interest rate



(Note1) Interest payments for FY1975 - FY2020: Settled figures; FY2021: Based on the supplementary budget; FY2022: Based on the draft budget.

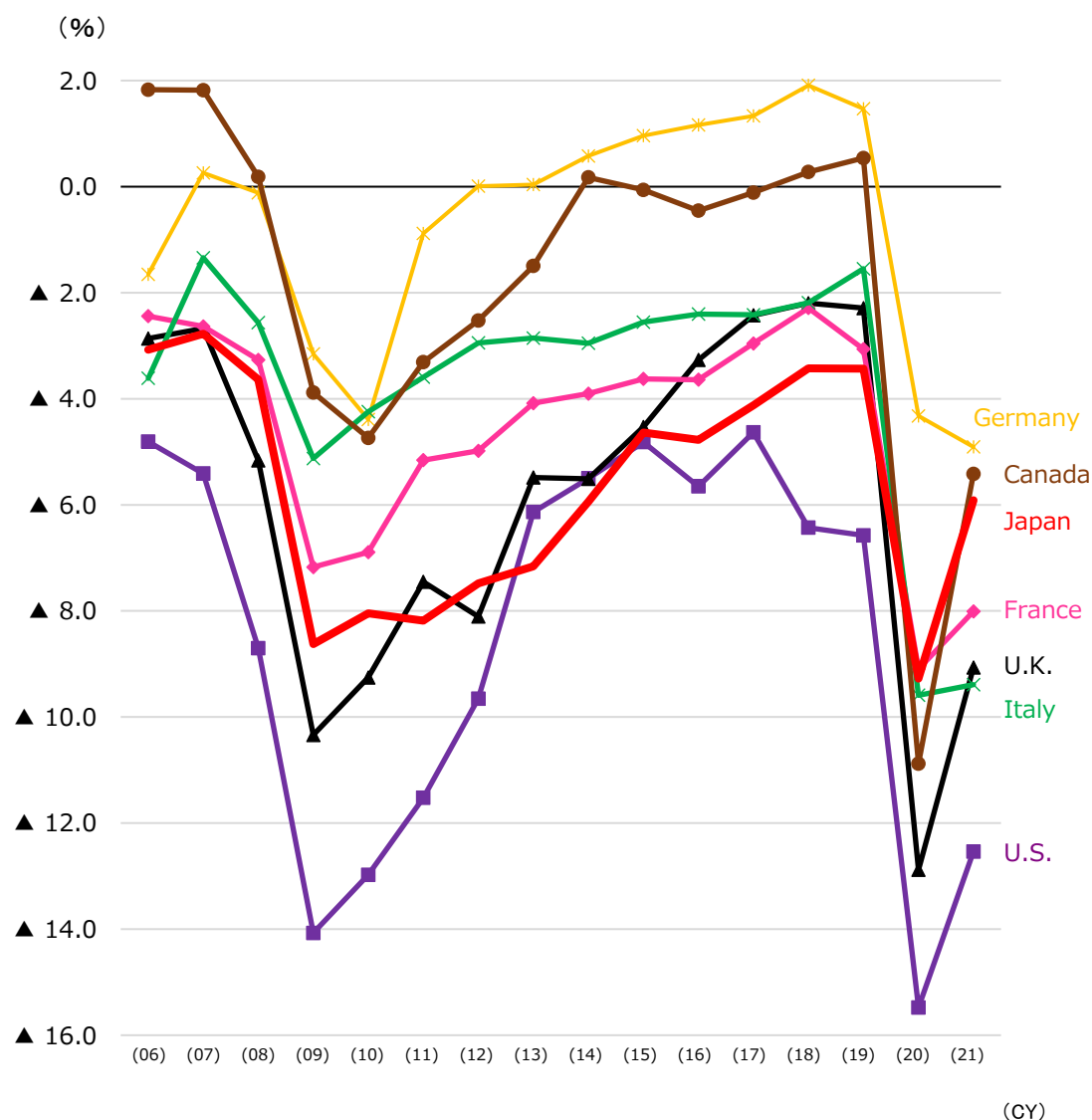
(Note2) Interest rate is a weighted average of JGBs' interest rates.

(Note3) Government bond outstanding for FY1975 - FY2020: Settled figures, FY2021: Based on the supplementary budget, FY2022: Based on the draft budget.

International comparison of general government fiscal balance (% of GDP)

	CY								(%)
	2006	2007	2008	2009	2010	2011	2012	2013	
Japan	▲ 3.1	▲ 2.8	▲ 3.6	▲ 8.6	▲ 8.0	▲ 8.2	▲ 7.5	▲ 7.2	
U.S.	▲ 4.8	▲ 5.4	▲ 8.7	▲ 14.1	▲ 13.0	▲ 11.5	▲ 9.7	▲ 6.1	
U.K.	▲ 2.9	▲ 2.7	▲ 5.2	▲ 10.3	▲ 9.3	▲ 7.5	▲ 8.1	▲ 5.5	
Germany	▲ 1.7	0.3	▲ 0.1	▲ 3.2	▲ 4.4	▲ 0.9	0.0	0.0	
France	▲ 2.4	▲ 2.6	▲ 3.3	▲ 7.2	▲ 6.9	▲ 5.2	▲ 5.0	▲ 4.1	
Italy	▲ 3.6	▲ 1.3	▲ 2.6	▲ 5.1	▲ 4.2	▲ 3.6	▲ 2.9	▲ 2.9	
Canada	1.8	1.8	0.2	▲ 3.9	▲ 4.7	▲ 3.3	▲ 2.5	▲ 1.5	

	CY								
	2014	2015	2016	2017	2018	2019	2020	2021	
Japan	▲ 5.9	▲ 4.6	▲ 4.8	▲ 4.1	▲ 3.4	▲ 3.4	▲ 9.3	▲ 5.9	
U.S.	▲ 5.5	▲ 4.8	▲ 5.7	▲ 4.6	▲ 6.4	▲ 6.6	▲ 15.5	▲ 12.5	
U.K.	▲ 5.5	▲ 4.5	▲ 3.3	▲ 2.4	▲ 2.2	▲ 2.3	▲ 12.9	▲ 9.1	
Germany	0.6	1.0	1.2	1.3	1.9	1.5	▲ 4.3	▲ 4.9	
France	▲ 3.9	▲ 3.6	▲ 3.6	▲ 3.0	▲ 2.3	▲ 3.1	▲ 9.1	▲ 8.0	
Italy	▲ 3.0	▲ 2.6	▲ 2.4	▲ 2.4	▲ 2.2	▲ 1.5	▲ 9.6	▲ 9.4	
Canada	0.2	▲ 0.1	▲ 0.5	▲ 0.1	0.3	0.5	▲ 10.9	▲ 5.4	



(Source) OECD "Economic Outlook 110"(December 2021)

(Note1) Figures represent the general government-based data (the central/local governments and social security funds combined), except for Japan and the U.S., where the figures of the social security funds are excluded.

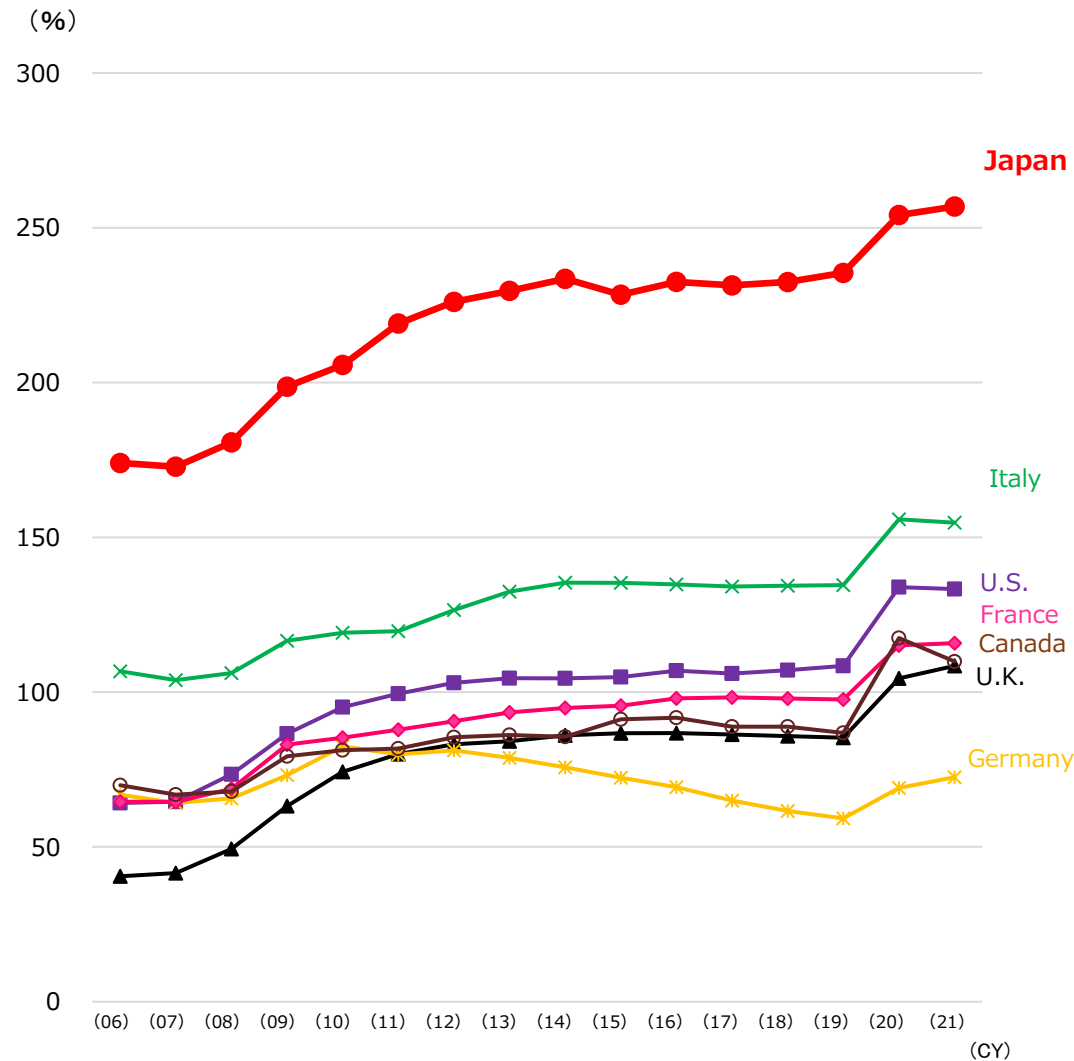
(Note2) 2020-2021 figures for Japan and 2021 figures for other countries are estimated figures.

(Note3) Fiscal balance for 2022 is estimated as follows; Japan: -6.6%, U.S.: -7.1%, U.K.: -5.4%, Germany: -2.3%, France: -4.9%, Italy: -5.9%, and Canada: -1.6%. However, it should be noted that the Japan's figure does not reflect the fiscal deficit arising from the supplementary budget for FY2021 and the draft budget for FY2022.

International comparison of general government gross debt (% of GDP)

	CY								(%)
	2006	2007	2008	2009	2010	2011	2012	2013	
Japan	174.0	172.8	180.7	198.7	205.7	219.1	226.1	229.6	
U.S.	64.2	64.6	73.4	86.6	95.1	99.5	103.0	104.5	
U.K.	40.5	41.5	49.3	63.2	74.3	80.0	83.2	84.2	
Germany	66.9	64.2	65.7	73.2	82.5	79.9	81.2	78.8	
France	64.6	64.5	68.8	83.0	85.3	87.8	90.6	93.4	
Italy	106.7	103.9	106.2	116.6	119.2	119.7	126.5	132.5	
Canada	69.9	66.9	67.9	79.3	81.2	81.8	85.4	86.1	

	CY								
	2014	2015	2016	2017	2018	2019	2020	2021	
Japan	233.5	228.4	232.5	231.4	232.5	235.4	254.1	256.9	
U.S.	104.5	104.9	106.9	106.0	107.1	108.5	133.9	133.3	
U.K.	86.1	86.7	86.8	86.3	85.8	85.2	104.5	108.5	
Germany	75.7	72.3	69.3	65.0	61.6	59.2	69.1	72.5	
France	94.9	95.6	98.0	98.3	98.0	97.6	115.1	115.8	
Italy	135.4	135.3	134.8	134.1	134.4	134.6	155.8	154.8	
Canada	85.6	91.2	91.7	88.8	88.8	86.8	117.5	109.9	



(Source) IMF "World Economic Outlook" (October 2021).

(Note1) Figures represent the general government-based data (the central/local governments and social security funds combined).

(Note2) 2020-2021 figures for Japan and 2021 figures for other countries are estimated figures.

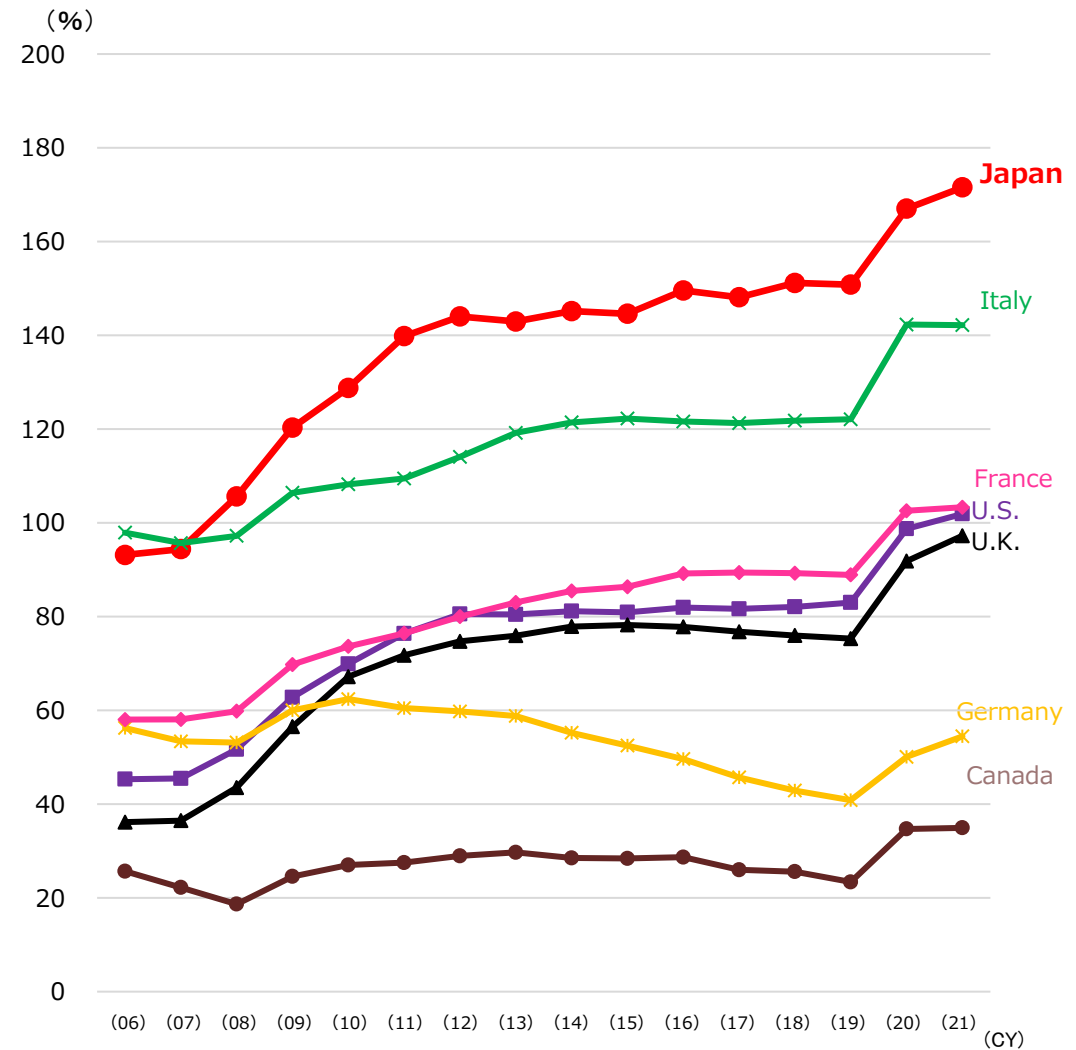
(Note3) Gross debt for 2022 is estimated as follows; Japan: 252.3%, U.S.: 130.7%, U.K.: 107.1%, Germany: 69.8%, France: 113.5%, Italy: 150.4%, and Canada: 103.9%.

However, it should be noted that the Japan's figure does not reflect the expected increase in outstanding gross debt as a result of the supplementary budget for FY2021 and the draft budget for FY2022.

International comparison of general government net debt (% of GDP)

	CY								(%)
	2006	2007	2008	2009	2010	2011	2012	2013	
Japan	93.1	94.4	105.6	120.3	128.8	139.8	144.0	142.9	
U.S.	45.3	45.5	51.7	62.8	69.9	76.4	80.5	80.4	
U.K.	36.1	36.5	43.5	56.5	67.2	71.7	74.7	75.9	
Germany	56.2	53.4	53.1	60.0	62.4	60.5	59.8	58.8	
France	58.0	58.0	59.8	69.8	73.6	76.4	80.0	83.0	
Italy	97.9	95.7	97.2	106.4	108.2	109.5	114.1	119.2	
Canada	25.7	22.2	18.6	24.5	27.0	27.5	28.9	29.7	

	CY								
	2014	2015	2016	2017	2018	2019	2020	2021	
Japan	145.1	144.6	149.6	148.1	151.2	150.8	167.0	171.5	
U.S.	81.1	80.9	81.9	81.6	82.1	83.0	98.7	101.9	
U.K.	77.9	78.2	77.8	76.8	75.9	75.3	91.8	97.2	
Germany	55.2	52.5	49.6	45.7	42.9	40.8	50.1	54.4	
France	85.5	86.3	89.2	89.4	89.2	88.9	102.6	103.3	
Italy	121.4	122.2	121.6	121.3	121.8	122.1	142.3	142.2	
Canada	28.5	28.4	28.7	26.0	25.6	23.4	34.7	34.9	



(Source) IMF "World Economic Outlook" (October 2021).

(Note1) Figures represent the general government-based data (the central/local governments and social security funds combined).

(Note2) 2020-2021 figures for Japan and 2021 figures for other countries are estimated figures. Net debt for 2022 is estimated as follows; Japan: 169.2%, U.S.: 100.8%, U.K.: 95.2%, Germany: 52.9%, France: 100.9%, Italy: 138.5%, and Canada: 32.5%. However, it should be noted that the Japan's figure does not reflect the expected increase in outstanding net debt as a result of the supplementary budget for FY2021 and the draft budget for FY2022.

(Note3) Net debt is calculated as a gross debt minus financial assets corresponding to debt instruments such as currency and deposits, and debt securities.